



*United States Attorney
Southern District of New York*

FOR IMMEDIATE RELEASE
OCTOBER 16, 2003

CONTACT: U.S. ATTORNEY'S OFFICE
MARVIN SMILON, HERBERT HADAD,
MICHAEL KULSTAD
PUBLIC INFORMATION OFFICE
(212) 637-2600

**U.S. CHARGES FOUR DIAMOND DISTRICT DEALERS
WITH BANK FRAUD IN MASSIVE CHECK KITING SCHEME**

JAMES B. COMEY, the United States Attorney for the Southern District of New York, announced today the unsealing of a criminal Complaint that charges DAVID KLEIN, ISAAC DAYAN and PINI BEN-ARI, wholesale diamond dealers operating in Manhattan's Diamond District, with bank fraud through a multi-million dollar check kiting scheme. An Information was filed in a related case on July 7, 2003, charging a fourth diamond dealer, JACOB HAAS, with bank fraud.

The Complaint charges that KLEIN, DAYAN and BEN-ARI exchanged tens of millions of dollars worth of checks purportedly representing legitimate business sales but which were, in reality, as the defendants knew, mere money transfers. The purposes of the check exchanges, according to the Complaint, were, among others: (i) to artificially inflate the bank account balances of the conspirators' businesses, thereby permitting the conspirators to withdraw funds to which they were not entitled;

and (ii) to artificially inflate the sales figures of the conspirators' businesses, thereby permitting the conspirators to seek, renew and increase lines of credit for the conspirators' businesses.

The Complaint charges that for the purpose of disguising the nature of the check exchanges KLEIN, DAYAN, and BEN-ARI created "triangles" or multi-point exchanges, in which each defendant drafted, exchanged and received checks of roughly equivalent value.

As detailed in the Complaint, from January 2000 through April 2001, KLEIN issued checks to his co-conspirators totaling more than \$53 million; DAYAN issued checks to his co-conspirators totaling more than \$9 million; and BEN-ARI issued checks to his co-conspirators totaling more than \$10 million.

The Complaint also refers to other co-conspirators who issued millions of dollars in checks to KLEIN, DAYAN and BEN-ARI. The Complaint alleges that KLEIN, DAYAN and BEN-ARI received and deposited millions of dollars in checks from one another and other co-conspirators.

According to the Complaint, as a result of the check exchange and the deposit of millions of dollars in checks, KLEIN, DAYAN and BEN-ARI gained immediate access to those funds. As described in the Complaint, banks holding accounts for the defendants provided immediate access to deposited funds. Thus,

according to the Complaint, one result of the check kiting scheme was to provide instant liquidity of funds before - and regardless of whether - the checks deposited into the conspirators' accounts ultimately cleared.

As described in the Complaint, a second purpose of the scheme was falsely to inflate the sales figures for the conspirators' businesses, thereby qualifying them for loans and loan increases. The Complaint charges that, in May 1998, KLEIN obtained a \$400,000 line of credit, and later increased the line to \$2 million based on his inflated sales figures for his diamond business.

The individuals arrested yesterday, all of whom were charged with bank fraud and bank fraud conspiracy, were:

(1) DAVID KLEIN, 47, owner of Dajoy Diamonds, Inc., located at 580 Fifth Avenue in the Diamond District;

(2) ISAAC DAYAN, 48, owner of Fortune Diamonds Importers, Inc. and Nes Diamond Corp., both located at 15 West 47th Street in the Diamond District; and

(3) PINI BEN-ARI, 56, an owner of Yardi Diamonds, located at 580 Fifth Avenue in the Diamond District.

JACOB HAAS, 53, who was arrested April 3, 2003, pursuant to a criminal Complaint, owned a wholesale diamond

business in his own name that operated from 580 Fifth Avenue in the Diamond District.

The charges were the result of an investigation conducted by the New York Field Office of the Federal Bureau of Investigation.

Mr. COMEY praised the investigative efforts of the FBI and said the investigation is continuing.

Assistant United States Attorneys DANIEL S. RUZUMNA and MARC A. WEINSTEIN are in charge of the prosecution.

The charges contained in the Complaint and Information are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

03-243

###